



**MINISTRY OF TOURISM
REPUBLIC OF SOUTH AFRICA**

Remarks by the Minister of Tourism, Mmamoloko Kubayi-Ngubane, at the Black Business Council Summit, online

02 June 2021

**Programme director, Nkuli Bogopa
Sandile Zungu, President of the BBC
Kganki Matabane, CEO of the BBC
Prof Bonang Mohale, Chairperson of Bidvest Group (virtual)
Ms Judy Nwokedi, National Office Bearer of the BBC
Mr Mteto Nyati, Group Chief Executive, Altron
Mr Martin Kingston, Vice President of Business Unity South Africa
Ms Nolitha Fakude – Chairperson of Anglo American’s Management Board in SA and President of Minerals Council of SA
Mr Werner Kapp – Chief Executive Officer of Dimension Data Middle & East Africa,
Ladies and gentlemen**

Good Morning

It has been just more than a year since COVID-19 was declared a global pandemic and the virus continues to disrupt our lives and may continue to do so for some time to come. The pandemic has so far left countries facing tremendous economic pain and inequality, which can only be overcome through collective action.

As a country, we have responded to the economic disruption through the development and adoption of what President Ramaphosa called “extraordinary measures we must take to restore our economy to inclusive growth following the devastation caused by COVID-19 to our people’s lives and our country’s economy”.

The adoption of the Economic Reconstruction and Recovery plan (ERRP), which was a product of the NEDLAC process was a significant step towards reaching a social compact amongst South Africa’s social partners. By bringing together government, business, labour and civil society, the NEDLAC process has created a platform through which all these social partners can come closer and drive the economy in unison. The question is, are we utilising this platform optimally and effectively to get ourselves out of the economic situation that we find ourselves in?

It is also important to note, seven months after the adoption of the Plan, to reflect on how much progress have been made so far economically as a country. This Plan made a number of commitments to implement various interventions on the various sectors of the economy in order to unlock growth. These included among others:

- Resolving our electricity supply problems so that we can have a more stable supply of electricity in the economy:
- Increasing local production in the manufacturing sector
- Reviving our tourism sector
- Increasing investment in infrastructure

To resolve our electricity crisis, the Department of Mineral Resources and Energy has amended and gazetted Schedule 2 of the Electricity Regulation Act to increase the threshold for registering embedded generation from 1 to 10 megawatts. NERSA has to date registered 200 projects under one megawatt totalling 94 megawatts and licensed 5 projects above one (1) megawatt. These initiatives will go a long way towards easing the demand pressure on the electricity network edging us closer to energy supply security.

With regard to infrastructure investment, the investment team in the Presidency led by Dr Kgosientso Ramokgopa, has been doing a lot of work around unlocking bottlenecks for investors and it is starting to yield results.

Through these efforts, we have also picked up limitations in special economic zones, which if attended to, can unlock more opportunities for infrastructure investment. For example, our current SEZ model such as the Makhado Corridor does not include a set of incentives for the hospitality industry which is an integral part of any green field development.

Broadly, we are working on aligning industrial incentives and the infrastructure programme including services, so that we can boost investor confidence.

You will remember that the economy grew by 1.5% in the fourth quarter, following a revised 13.7% rise in economic activity recorded in the third quarter of 2020.

However, the positive growth recorded in the third and fourth quarters was not enough to offset the devastating impact of COVID-19 in the second quarter when lockdown restrictions were at their most stringent. Economic activity for the entire year decreased by 7% in 2020 compared with 2019. Before the pandemic hit, the South African economy was not growing at a required rate to respond to our needs and the pandemic has worsened this situation.

According to Statistics South Africa, our GDP per capita peaked in 2014 and has since been declining. This means that economic growth has been struggling to keep up with population growth. GDP per capita decreased in 2020 to a level last seen in 2005.

Statistics South Africa released the results of the Quarterly Labour Force Survey for the first quarter of 2021 showing that the number of employed persons remained almost unchanged at 15,0 million in the first of quarter 2021. As a result, the official unemployment rate increased from 32.5% in the fourth quarter of 2020 to 32.6% in the first quarter of 2021. The most affected societal categories continue to be women, especially black African women and young people. The truth is all social partners have an obligation to intervene to deal with increasing levels of unemployment, otherwise the stability of our democracy and country is under threat.

Recently, we have been experiencing trade surpluses because of the rise in commodity prices which have boosted our exports but more broadly we could do with a broader export base.

The economic picture might look mixed, however overall performance of the economy is not looking good. This means that there is a lot of work we need to do to get our economy back on track. The question is: what is it that we need to do, all of us, to ensure that we achieve the strategic objectives outlined in the ERRP? These include:

- To create jobs, primarily through aggressive infrastructure investment and mass employment programmes;
- To reindustrialise our economy, focusing on growing small businesses;
- To accelerate economic reforms to unlock investment and growth;
- To fight crime and corruption; and,
- To improve the capability of the state.

These objectives can only be achieved if all social partners commit to the implementation of what has been agreed to. Black business, in particular, has an important role to play in ensuring that economic recovery and reconstruction happens with the expansion and strengthening of a black capitalist class. South Africans have learned from our democratic breakthrough that any system that allocates resources in manner that leaves a significant stakeholder or portion of society aggrieved, is not

sustainable in the long term. South Africa's business sector has to reflect on the diversity, equity and inclusivity, proportionate with the racial composition of our society. And because of our history, transformation, as envisaged in our constitution of 1996, is an absolute necessity.

It is incumbent upon all of us as South Africans, black and white, to embrace the necessity for transformation. In the spirit of unity in diversity, we pardon and note the concerns of those sections of society who in their misunderstanding of what we seek to achieve, mischaracterises our efforts to transform the economy as racially exclusive. However, there are those who have gone out of their way to frustrate government's effort to transform the economy.

As you aware, Finance Minister, Tito Mboweni, has filed court papers challenging a Supreme Court of Appeal ruling which struck down a provision in Preferential Procurement Policy Framework Regulations of 2017, that prioritised black-owned firms.

For our part as the Department of Tourism, we have announced our intention to defend the Tourism Equity Fund against Afriforum and Solidarity who have brought a court application challenging the legality and rationality of using 51% black ownership/managed qualification criteria for the Fund and saying it's unconstitutional. The court has interdicted the processing of applications until the case is concluded.

All these transformative efforts are to ensure that black business plays a much more meaningful role in the economy. Our economy will only experience sustainable and inclusive growth if in its quest to grow the economy and pursue more profit, it draws on the entrepreneurial spirit that exists in South Africans of all races.

In order to create a transformed inclusive and growing economy, we have to realise that as South Africans our fates are intertwined. This means that all social partners need to make sacrifices and play a positive role in the implementation of the Plan. These includes amongst others:

- Business, including black business, needs to show commitment to their stakeholders and commit to building a more inclusive economy.
- Labour should be willing to enter into win-win arrangements that will result in the creation of more employment opportunities for our population
- Government has committed to greater transparency, greater accountability and building capabilities and that work is underway
- Communities must be mobilised to actively participate in economic activities so that they can rid themselves of elements that act against their economic interests.

Like many other service industries, the tourism industry is a labour-intensive industry that has been devastated by the COVID -19 pandemic. The vastness of the tourism value chain means that its devastation has a significant impact on the services of the economy as whole. The slow recovery that the sector is experiencing is another reason for the declining job opportunities. In 2020, the volume of tourists decreased by 72.6% from 10.2 million in 2019 to 2.8 million in 2020. The distribution of tourists by region of residence shows that 74.8% of the tourists who arrived in South Africa in 2020 were residents of the Southern African Development Community (SADC) countries and 1.5% were from 'other' African countries.

The decline in the number of international arrivals led to the decrease in income from accommodation by 35.9% year-on-year in March 2021. However, after embarking on a road to recovery in partnership with private sector, we saw a surge in numbers of domestic travellers over Easter which translated into an income increase of 37.6% from accommodation month-on-month in March 2021. This is one of the areas identified by the Tourism Sector Recovery Plan which was developed in partnership between government and private sector.

The green shoots that we saw in the tourism sector were a clear indication that if we work together as social partners, we can get our economy back on the growth trajectory.

I wish the Summit well in its dialogue.

I thank you.